

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-01 INR-05 IO-10 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

SS-15 NSC-05 STR-01 /088 R

DRAFTED BY EUR/RPE:WCLARK  
APPROVED BY EUR/RPE:MHLEVINE  
TREASURY - DHODGE  
FRB - DCOOPER  
EUR/WE - EBEIGEL (INFO)

----- 106845

P R 182358Z DEC 74  
FM SECSTATE WASHDC  
TO USMISSION OECD PARIS PRIORITY  
INFO AMEMBASSY PARIS  
AMEMBASSY BONN

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DELIVER TO KORP AT 0900 THURSDAY, DECEMBER 19

E.O. 11652:

TAGS: ECON, EFIN, OECD

SUBJECT:EDRC ANNUAL REVIEW OF FRANCE

REF: OECD PARIS 30161

1. WE GENERALLY AGREE WITH LINE OF QUESTION SUGGESTED  
PARA 4-5 REFTEL. FOLLOWING COMMENTS ARE OFFERED.
2. CONJUNCTURE. WE UNDERSTAND GOF PLANS MEETING ON  
THURSDAY DECEMBER 19 TO REVIEW ECONOMIC POLICIES. THERE  
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ARE INDICATIONS GOF MAY DECIDE TO RELAX SOME MEASURES

SUCH AS CREDIT RESTRICTIONS BECAUSE OF RECENT SIGNS  
ECONOMY HAS ENTERED DOWNTURN. SINCE SEPTEMBER UNEMPLOYMENT  
HAS INCREASED, UNFILLED ORDERS AND OTHER LEADING INDICATORS  
ARE DOWN. WE THEREFORE WOULD BE INTERESTED IN ANY  
INDICATION OF POLICY STANCE THAT WILL BE TAKEN FOLLOWING  
THAT MEETING. TO WHAT DEGREE HAVE GOF FORECASTS BEEN  
REVISED TO REFLECT THESE RECENT DEVELOPMENTS? WHAT  
ASSUMPTIONS DOES THE GOF MAKE ABOUT THE TIMING OF AN UPTURN  
IN THE FRG ECONOMY WHEN MAKING FORECASTS OF AN UPTURN IN  
FRANCE?

3. TRADE BALANCE AND INFLATION. AT THE TIME THE  
AUSTERITY PROGRAM WAS ANNOUNCED IN JUNE, GOF ANTICIPATED  
THAT EQUILIBRIUM IN TRADE BALANCE WOULD BE REACHED BY END  
OF 1975, AND INFLATION RATE WOULD BE DOWN TO AN ANNUAL  
RATE OF 6 PERCENT BY MID YEAR. TRADE BALANCE GOAL WAS  
REAFFIRMED ABOUT A MONTH AGO. GIVEN STATED GOF OPPOSITION  
TO FURTHER INCREASE IN UNEMPLOYMENT, TO WHAT EXTENT MIGHT  
THESE GOALS NEED TO BE REVISED IN LIGHT OF CURRENT  
CONDITIONS? WHAT IS THE APPROXIMATE AMOUNT OF LOANS THAT  
HAVE BEEN MADE UNDER THE ANNOUNCED PROGRAM OF  
PREFERENTIAL CREDITS FOR EXPORT INDUSTRIES? ARE THERE  
PLANS TO EXPAND INCENTIVES FOR EXPORTS?

4. PAYMENTS BALANCE. OECD PREDICTS FRENCH CURRENT ACCOUNT  
DEFICIT OF ABOUT \$6.25 BILLION IN 1975, WHILE GOAL OF  
TRADE EQUILIBRIUM BY END OF YEAR IMPLIES A SUBSTANTIALLY  
SMALLER CA DEFICIT. TO WHAT DEGREE CAN DIFFERENT  
ASSUMPTIONS OR OTHER REASONS BE IDENTIFIED FOR THE  
DIFFERENT FORECASTS? HOW MUCH GOVERNMENT AND PUBLIC  
ENTERPRISE BORROWING FROM EUROS DOLLAR MARKETS HAVE TAKEN  
PLACE IN 1974, AND WHAT IS ANTICIPATED FOR 1975? KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC REPORTS, ECONOMIC ESTIMATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE277634  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WCLARK  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740368-0906  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741224/aaaaaulj.tel  
**Line Count:** 93  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 74 OECD PARIS 30161  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 MAY 2002 by boyleja>; APPROVED <25 MAR 2003 by ElyME>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DRC ANNUAL REVIEW OF FRANCE  
**TAGS:** ECON, EFIN, OECD  
**To:** OECD PARIS  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005